

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 05 ZAGREB 000799

SIPDIS

SENSITIVE

STATE FOR EB/CBED
STATE PASS OPIC AND TDA

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [HR](#) [HRECON](#)
SUBJECT: DRUZHBADRIA AND CPOT PIPELINES -- CROATIA MOVING
FORWARD BUT SOME QUESTIONS RAISED

UNCLASSIFIED

PAGE 03 ZAGREB 00799 01 OF 05 110814Z
SENSITIVE BUT UNCLASSIFIED -- PLEASE HANDLE ACCORDINGLY.

SUMMARY

1. (SBU) THE DRUZHBADRIA PIPELINE PROJECT IS ONE POSSIBLE ROUTE TO BRING RUSSIAN OIL TO WESTERN MARKETS, SOMETHING WHICH WOULD ENHANCE GLOBAL ENERGY SECURITY BY INCREASING DIVERSIFICATION OF OIL SUPPLIES. THE CROATIAN PRESS HAS SOUGHT TO PORTRAY CROATIA AS A NEW PLAYER IN WORLD OIL POLITICS. HOWEVER, ACTUAL CROATIAN INFLUENCE ON THE SUCCESS OF THE PROJECT, AND THE UPFRONT INVESTMENT AND THUS RISK CROATIA IS WILLING TO TAKE ON, ARE RELATIVELY SMALL. ENVIRONMENTAL OPPOSITION TO THE PIPELINE HAS ARISEN, AND THE GOVERNMENT'S WILLINGNESS TO MAKE MORE-THAN-BARE-MINIMUM INVESTMENTS IN THE PROJECT COULD WEAKEN IF IT DOES NOT RECEIVE CLEAR COMMITMENTS FROM SUPPLIERS AND BUYERS. SIMILAR ISSUES SURROUND THE CPOT (CONSTANTA-PANCEVO-OMISALJ-TRIESTE) BOSPORUS BYPASS PIPELINE PROJECT, AS WELL AS CONCERN OVER THE LOSS OF SERBIAN AND BOSNIAN EXPORT MARKETS. END SUMMARY.

THE DRUZHBADRIA PROJECT

2. (SBU) ON DECEMBER 16, REPRESENTATIVES OF THE SIX COUNTRIES INVOLVED IN THE DRUZHBADRIA OIL PIPELINE PROJECT SIGNED AN AGREEMENT ON COOPERATION ON IMPLEMENTATION OF THE PROJECT OF INTEGRATION OF THE "DRUZHBA" AND "ADRIA" OIL PIPELINES IN ZAGREB. THE AGREEMENT WAS THE CULMINATION OF FIVE YEARS OF NEGOTIATIONS, BUT IMPORTANT ISSUES REMAIN TO BE WORKED OUT BEFORE ANY OIL ACTUALLY FLOWS FROM RUSSIAN OIL
UNCLASSIFIED

PAGE 04 ZAGREB 00799 01 OF 05 110814Z
FIELDS, THROUGH UKRAINE, BELARUS, SLOVAKIA AND HUNGARY TO THE TERMINUS OF THE DRUZHBA PIPELINE, THEN INTO THE ADRIA PIPELINE TO THE CROATIAN PORT OF OMISALJ.

3. (U) CURRENTLY JANAF, THE CROATIAN STATE-OWNED OIL PIPELINE COMPANY, RECEIVES OIL AT THE DEEP-WATER PORT OF OMISALJ, ON THE NORTHERN CROATIAN ADRIATIC COAST, LESS THAN A HUNDRED MILES FROM TRIESTE. SOME OIL GOES TO THE RIJEKA REFINERY, AND THE REST IS PUMPED VIA PIPELINE OVER THE GORSKI KOTAR MOUNTAINS TO A REFINERY IN SISAK (SOUTH OF ZAGREB), THEN EASTWARDS TOWARDS SERBIA AND NORTHWARD TOWARDS HUNGARY.

4. (U) IN ORDER FOR CROATIA TO PARTICIPATE IN THE PLAN TO CREATE A NEW ROUTE FOR THE EXPORT OF RUSSIAN CRUDE TO WESTERN EUROPE AND THE U.S., IT WILL NEED TO INSTALL PUMPS CAPABLE OF PUMPING OIL IN BOTH DIRECTIONS. THE INITIAL INVESTMENT REQUIRED TO ENABLE JANAF TO ACCOMPLISH THE FIRST-PHASE GOAL OF BEING ABLE TO EXPORT FIVE MILLION TONS OF OIL A YEAR COULD BE AS LITTLE AS \$20 MILLION. INVESTMENTS OF UP TO \$70 TO 80 MILLION WOULD BE NEEDED TO REALIZE THE FINAL OUTPUT GOAL OF 15 MILLION TONS PER YEAR. MUCH OF THE NEW INVESTMENT IS FOR STRENGTHENING ENVIRONMENTAL PROTECTION MEASURES.

UNCLASSIFIED

UNCLASSIFIED PTQ8450

PAGE 01 ZAGREB 00799 02 OF 05 110814Z
ACTION EB-00

INFO	LOG-00	NP-00	AGRE-00	AID-00	CEA-01	CIAE-00	CTME-00
	INL-00	DINT-00	DODE-00	ITCE-00	DOT-00	WHA-00	SRPP-00
	EXME-00	EUR-00	E-00	FAAE-00	FBIE-00	UTED-00	VC-00
	FRB-00	H-01	TEDE-00	INR-00	IO-00	ITC-01	LAB-01
	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	NSF-01	OES-00
	OIC-02	OMB-02	OPIC-01	PC-01	PM-00	PRS-00	ACE-00
	SP-00	SSO-00	SS-00	STR-00	TEST-00	T-00	USIE-00
	EPAE-00	PMB-00	PRM-00	DRL-01	G-00	NFAT-00	SAS-00
	SWCI-00	/013W					

-----5427E6 110815Z /38

R 110815Z APR 03
FM AMEMBASSY ZAGREB
TO SECSTATE WASHDC 9929

INFO AMEMBASSY ALMATY
AMEMBASSY ASHGABAT
AMEMBASSY ATHENS
AMEMBASSY BELGRADE
AMEMBASSY BISHKEK
AMEMBASSY BRATISLAVA
AMEMBASSY BRUSSELS
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY CARACAS
AMEMBASSY CHISINAU
AMEMBASSY KIEV
AMEMBASSY LJUBLJANA
AMEMBASSY LONDON

UNCLASSIFIED

PAGE 02 ZAGREB 00799 02 OF 05 110814Z

AMEMBASSY MINSK
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY RIGA
AMEMBASSY ROME
AMEMBASSY SKOPJE
AMEMBASSY SOFIA
AMEMBASSY TASHKENT
AMEMBASSY TBILISI
AMEMBASSY TIRANA
AMEMBASSY VIENNA
AMEMBASSY VILNIUS
AMEMBASSY WARSAW
AMEMBASSY YEREVAN
DEPT OF COMMERCE WASHDC
DEPT OF ENERGY WASHDC
DEPT OF TREASURY WASHDC

UNCLAS SECTION 02 OF 05 ZAGREB 000799

SIPDIS

SENSITIVE

STATE FOR EB/CBED
STATE PASS OPIC AND TDA

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [HR](#) [HRECON](#)
SUBJECT: DRUZHBADRIA AND CPOT PIPELINES -- CROATIA MOVING
FORWARD BUT SOME QUESTIONS RAISED

UNCLASSIFIED

PAGE 03 ZAGREB 00799 02 OF 05 110814Z

15. (SBU) A RELATIVELY SMALL INVESTMENT IS NEEDED IN THE SHORT-TERM BECAUSE JANAF'S FACILITIES ARE WOEFULLY UNDERUTILIZED. KRESIMIR BARANOVIC, HEAD OF DEVELOPMENT PROJECTS FOR JANAF SAID MOST OF THE NEAR-TERM INVESTMENTS WILL BE FOR REVERSIBLE PUMPS AT THE SISAK REFINERY, SOME PUMPS AT OMISALJ FOR LOADING OIL ONTO TANKERS, ADDITIONAL STORAGE TANKS AT SISAK, AND SOME PIPING AND CONTROL EQUIPMENT. MUCH OF THIS EQUIPMENT HAS BEEN BOUGHT AND SOME DELIVERED. SOME EXISTING PUMPS ARE SIMPLY BEING REPOSITIONED.

PIPELINE BRINGS EXISTING PROBLEMS INTO FOCUS

16. (U) SOON AFTER THE SIGNING OF THE DRUZHBADRIA AGREEMENT, THE MEDIA AND NGOS PROMINENTLY RAISED ENVIRONMENTAL QUESTIONS. THE "ENVIRONMENTALISTS" BREAK DOWN INTO TWO GROUPS -- THOSE WHO SIMPLY WANT TO ENSURE THAT THE GOVERNMENT AND JANAF CONDUCT APPROPRIATE STUDIES AND TAKE THE ADEQUATE PRECAUTIONS, AND THOSE WHO THINK THAT ANY ADDITIONAL ENVIRONMENTAL RISK TO THE CROATIAN COAST IS UNACCEPTABLE. CONCERNS CENTERED ON TWO ISSUES -- THE POSSIBILITY OF AN OIL SPILL AND THE EFFECT OF DISCHARGES OF LARGE AMOUNTS OF BALLAST WATERS, WHICH COULD INTRODUCE NEW AQUATIC INVASIVE SPECIES TO THE CROATIAN ADRIATIC COAST. LOCALS AND OTHERS CITED CONCERNS THAT A LARGE SPILL COULD ENDANGER TOURISM, WHICH IS BY FAR CROATIA'S BIGGEST FOREIGN CURRENCY EARNER, BRINGING IN AN ESTIMATED \$4 BILLION IN REVENUE IN 2002. MEDIA REPORTS QUOTE THE PRESIDENT OF JANAF AS SAYING REVENUE FLOWS FROM THE DRUZHBADRIA PROJECT WOULD BE \$30 MILLION PER YEAR AT THE BEGINNING OF THE PROJECT, INCREASING TO \$80 MILLION AT FULL CAPACITY.

UNCLASSIFIED

PAGE 04 ZAGREB 00799 02 OF 05 110814Z

17. (SBU) THE GOVERNMENT, SOMEWHAT SUCCESSFULLY, HAS REBUTTED THE OIL-SPILL ARGUMENT BY NOTING THAT THE INTENSITY OF TRAFFIC ENVISIONED UNDER THE DRUZHBADRIA PROJECT -- AT ITS PEAK, 80 LARGE (250 THOUSAND PLUS TON) TANKERS PER YEAR -- WILL HARDLY CHANGE. CURRENTLY, ABOUT 50-60 TANKERS A YEAR DOCK AT OMISALJ (IN THE PRE-WAR YEARS IT WAS OVER A HUNDRED), AND OVER 400 AT TRIESTE. THE GOVERNMENT'S ARGUMENT IS NOT THAT IT IS PERFECTLY SAFE -- AN IMPOSSIBLE ASSURANCE TO GIVE

-- BUT THAT IT WOULD BE NO MORE DANGEROUS THAN THE CURRENT SITUATION.

18. (SBU) THE GOVERNMENT IS CURRENTLY WORKING WITH OTHER GOVERNMENTS IN THE REGION TO UPGRADE REQUIREMENTS FOR TANKERS (E.G., TO REQUIRE THAT TANKERS BE DOUBLE HULLED) AND TO ESTABLISH TRAFFIC LANES IN THE ADRIATIC. (CURRENTLY THERE ARE NO TRAFFIC LANES, ACCORDING TO THE MARITIME MINISTRY. WHEN WE QUIPPED "THANK GOODNESS THERE ARE NO ICEBERGS IN THE ADRIATIC" THE REJOINDER WAS "AH, YES, BUT WE HAVE LOTS OF ISLANDS.")

19. (SBU) CONTACTS AT THE ENVIRONMENTAL AND MARITIME MINISTRIES BELIEVE THAT A SMALL SPILL NEAR OMISALJ, PERHAPS

UNCLASSIFIED

UNCLASSIFIED PTQ8454

PAGE 01 ZAGREB 00799 03 OF 05 110815Z
ACTION EB-00

INFO	LOG-00	NP-00	AGRE-00	AID-00	CEA-01	CIAE-00	CTME-00
	INL-00	DINT-00	DODE-00	ITCE-00	DOFE-00	WHA-00	SRPP-00
	EXME-00	EUR-00	E-00	FAAE-00	FBIE-00	UTED-00	VC-00
	FRB-00	H-01	TEDE-00	INR-00	IO-00	ITC-01	LAB-01
	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	NSF-01	OES-00
	OIC-02	OMB-02	OPIC-01	PC-01	PM-00	PRS-00	ACE-00
	SP-00	SSO-00	SS-00	STR-00	TEST-00	T-00	USIE-00
	EPAE-00	PMB-00	PRM-00	DRL-01	G-00	NFAT-00	SAS-00
	SWCI-00	/013W					

-----5427F2 110815Z /38

R 110815Z APR 03
FM AMEMBASSY ZAGREB
TO SECSTATE WASHDC 9930
INFO AMEMBASSY ALMATY
AMEMBASSY ASHGABAT
AMEMBASSY ATHENS
AMEMBASSY BELGRADE
AMEMBASSY BISHKEK
AMEMBASSY BRATISLAVA
AMEMBASSY BRUSSELS
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY CARACAS
AMEMBASSY CHISINAU
AMEMBASSY KIEV
AMEMBASSY LJUBLJANA
AMEMBASSY LONDON

UNCLASSIFIED

PAGE 02 ZAGREB 00799 03 OF 05 110815Z

AMEMBASSY MINSK
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY RIGA
AMEMBASSY ROME
AMEMBASSY SKOPJE
AMEMBASSY SOFIA
AMEMBASSY TASHKENT
AMEMBASSY TBILISI
AMEMBASSY TIRANA
AMEMBASSY VIENNA
AMEMBASSY VILNIUS
AMEMBASSY WARSAW
AMEMBASSY YEREVAN
DEPT OF COMMERCE WASHDC
DEPT OF ENERGY WASHDC
DEPT OF TREASURY WASHDC

UNCLAS SECTION 03 OF 05 ZAGREB 000799

SIPDIS

SENSITIVE

STATE FOR EB/CBED
STATE PASS OPIC AND TDA

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [HR](#) [HRECON](#)
SUBJECT: DRUZHBADRIA AND CPOT PIPELINES -- CROATIA MOVING
FORWARD BUT SOME QUESTIONS RAISED

UNCLASSIFIED

PAGE 03 ZAGREB 00799 03 OF 05 110815Z
WHILE OFF-LOADING OR LOADING A SHIP, COULD BE EASILY
CONTAINED BY JANAF'S MODERN EQUIPMENT. MUCH MORE DIFFICULT
WOULD BE A SPILL AT OPEN SEA. IN THAT CASE, THEY CONCEDED,
CROATIA'S RESOURCES WOULD BE OVERWHELMED, AND THEY WOULD
REQUIRE SUBSTANTIAL INTERNATIONAL HELP.

BALLAST WATER PROBLEM

110. (SBU) THE BALLAST WATER PROBLEM IS NEW ONLY IN ITS SCOPE AND IN THE ATTENTION IT HAS DRAWN. CURRENTLY, SHIPS THAT TAKE ON CROATIAN EXPORTS ARE DUMPING BALLAST WATER IN UNKNOWN LOCATIONS -- THERE ARE NO CONTROLS. THE QUANTITIES ARE PROBABLY SMALL, AND MANY OF THESE SHIPS ARE MOVING BETWEEN MEDITERRANEAN PORTS, RATHER THAN BRINGING BALLAST WATERS FROM FARTHER AFIELD. THUS, THE QUESTIONS RAISED OVER THE DRUZHBADRIA PIPELINE ARE HIGHLIGHTING A PROBLEM THAT HAS EXISTED FOR QUITE A WHILE, IF IN LESS DRASTIC FORM. IDEALLY, BALLAST WATERS SHOULD BE EXCHANGED 200 MILES FROM SHORE -- WHICH MEANS NOWHERE IN THE ADRIATIC -- AND THERE ARE QUESTIONS ABOUT THE WISDOM OF DOING IT IN THE MEDITERRANEAN. CROATIA IS LOOKING AT THIS PROBLEM IN THE CONTEXT OF THE INTERNATIONAL MARITIME ORGANIZATION (IMO) AND AS PART OF THE ADRIATIC UNION INITIATIVE.

111. (SBU) IN DECEMBER OF LAST YEAR, JANAF FORMED AN EXPERT GROUP TO LOOK AT THE BALLAST WATER PROBLEM, INCLUDING MEMBERS FROM RESEARCH AND UNIVERSITY INSTITUTIONS, ACCORDING TO THE JANAF WEBSITE. OUR GOVERNMENT CONTACTS TELL US THIS GROUP MET ONCE, THEN DECIDED THAT THE PROBLEM HAD TO BE ADDRESSED BY THE GOVERNMENT. AN INTER-GOVERNMENTAL COMMITTEE WAS UNCLASSIFIED

PAGE 04 ZAGREB 00799 03 OF 05 110815Z
FORMED, BUT APPARENTLY HAS YET TO MEET.

112. (SBU) ACCORDING TO VARIOUS GOVERNMENT CONTACTS, JANAF TECHNICALLY DOES NOT NEED TO DO AN ENVIRONMENTAL IMPACT STUDY (EIS) FOR THE DRUZHBADRIA PIPELINE, SINCE THE EXISTING PIPELINE AND ON- AND OFF-LOADING FACILITIES AT OMISALJ ARE ALREADY LICENSED FOR TRANSPORTING UP TO 30 MILLION TONS A YEAR. HOWEVER, GIVEN THE PUBLIC ATTENTION TO THE PIPELINE, THE GOVERNMENT DIRECTED JANAF TO DO AN EIS, AT JANAF'S EXPENSE. THE MINISTRY OF ENVIRONMENT BELIEVES THIS WILL TAKE ONLY TWO TO THREE MONTHS, PLUS ANOTHER FOUR TO FIVE MONTHS FOR PUBLIC COMMENT. (NOTE: PER THE SCOPE OF WORK OF A TDA-FINANCED FEASIBILITY STUDY OF THE CPOT PROJECT -- SEE PARA 16 BELOW -- THERE WILL BE AT LEAST A PARTIAL EIS DONE AS PART OF THAT STUDY. WE ARE TRYING TO CLARIFY THE RELATIONSHIP BETWEEN THESE TWO STUDIES.)

CROATIA WANTS TO SEE THE MONEY

113. (SBU) DESPITE THE HOOPLA SURROUNDING THE SIGNING OF THE DRUZHBADRIA PROJECT, AND THE FACT THAT THE PRELIMINARY INVESTMENT NECESSARY IS GOING FORWARD, IT IS STILL NOT A DONE

UNCLASSIFIED

UNCLASSIFIED PTQ8455

PAGE 01 ZAGREB 00799 04 OF 05 110815Z
ACTION EB-00

INFO	LOG-00	NP-00	AGRE-00	AID-00	CEA-01	CIAE-00	CTME-00
	INL-00	DINT-00	DODE-00	ITCE-00	DOTE-00	WHA-00	SRPP-00
	EXME-00	EUR-00	E-00	FAAE-00	FBIE-00	UTED-00	VC-00
	FRB-00	H-01	TEDE-00	INR-00	IO-00	ITC-01	LAB-01
	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	NSF-01	OES-00
	OIC-02	OMB-02	OPIC-01	PC-01	PM-00	PRS-00	ACE-00
	SP-00	SSO-00	SS-00	STR-00	TEST-00	T-00	USIE-00
	EPAE-00	PMB-00	PRM-00	DRL-01	G-00	NFAT-00	SAS-00
	SWCI-00	/013W					

-----542804 110815Z /38

R 110815Z APR 03
FM AMEMBASSY ZAGREB
TO SECSTATE WASHDC 9931
INFO AMEMBASSY ALMATY
AMEMBASSY ASHGABAT
AMEMBASSY ATHENS
AMEMBASSY BELGRADE
AMEMBASSY BISHKEK
AMEMBASSY BRATISLAVA
AMEMBASSY BRUSSELS
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY CARACAS
AMEMBASSY CHISINAU
AMEMBASSY KIEV
AMEMBASSY LJUBLJANA
AMEMBASSY LONDON

UNCLASSIFIED

PAGE 02 ZAGREB 00799 04 OF 05 110815Z
AMEMBASSY MINSK
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY RIGA
AMEMBASSY ROME
AMEMBASSY SKOPJE
AMEMBASSY SOFIA
AMEMBASSY TASHKENT

AMEMBASSY TBILISI
AMEMBASSY TIRANA
AMEMBASSY VIENNA
AMEMBASSY VILNIUS
AMEMBASSY WARSAW
AMEMBASSY YEREVAN
DEPT OF COMMERCE WASHDC
DEPT OF ENERGY WASHDC
DEPT OF TREASURY WASHDC

UNCLAS SECTION 04 OF 05 ZAGREB 000799

SIPDIS

SENSITIVE

STATE FOR EB/CBED
STATE PASS OPIC AND TDA

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [HR](#) [HRECON](#)
SUBJECT: DRUZHBADRIA AND CPOT PIPELINES -- CROATIA MOVING
FORWARD BUT SOME QUESTIONS RAISED

UNCLASSIFIED

PAGE 03 ZAGREB 00799 04 OF 05 110815Z
DEAL. ASSISTANT MINISTER OF ECONOMY ROMAN NOTA RECENTLY COMMENTED TO US, HALF SARCASTICALLY, THAT AMERICANS AND RUSSIANS REGULARLY VISIT HIM TO INQUIRE ABOUT THE STATUS OF THE DRUZHBADRIA PIPELINE PROJECT. HOWEVER, THEY ARE NOT SHOWING SUPPORT FOR ANY PARTICULAR ROUTE, AND THEY ARE NOT COMMITTING TO PUT MONEY INTO THE PROJECT. "IT IS NOT CLEAR WHO WILL FILL THE PIPELINE, AND WHO WILL BUY WHAT COMES OUT." INDEED, THE AGREEMENT DOES NOT PROVIDE GUARANTEES FOR MINIMUM DELIVERIES.

14. (SBU) A FEW U.S. COMPANIES HAVE EXPRESSED PRELIMINARY INTEREST IN SOURCING FROM THE DRUZHBADRIA PIPELINE, BUT WERE DIRECTED BY THE GOC AND JANAF TO AK TRANSNEFT -- THE RUSSIAN ENTITY RESPONSIBLE FOR SECURING SUPPLIES AND BUYERS FOR THE OIL -- TO NEGOTIATE ANY PURCHASE AGREEMENTS. THE GOC AND JANAF ARE ALSO NOT INTERESTED IN ANY DEAL THAT WOULD RESULT IN LOSING OWNERSHIP CONTROL OF ITS PIPELINE, WHICH WAS PART OF THE OFFER OF AT LEAST ONE OF THE INTERESTED U.S. PARTIES.

15. (SBU) IN THE MEANTIME, THERE ARE RISKS FOR CROATIA -- NAMELY ENVIRONMENTAL RISKS, AND BY EXTENSION, POLITICAL RISKS. FOR CROATIA, UPGRADING ITS ENVIRONMENTAL MONITORING AND POLLUTION CONTROLS WILL BE RELATIVELY EXPENSIVE. NOTA CHARACTERIZED COOPERATION AMONG THE COUNTRIES PARTY TO THE AGREEMENT AS GOOD, WITH "OCCASIONAL PROBLEMS FROM UKRAINE," WHICH HAS A POTENTIALLY COMPETING, "INTERNAL PROJECT," I.E., ODESSA-BRODY. WHILE NOTA HAS SIMILAR CONCERNS ABOUT THE CPOT PROJECT, IF BOTH PROJECTS WERE RUNNING CONCURRENTLY, CROATIA WOULD GET MORE BENEFIT WITH THE SAME RISK, HE SAID.

CPOT -- ALSO NOT WITHOUT PROBLEMS
UNCLASSIFIED

PAGE 04 ZAGREB 00799 04 OF 05 110815Z

16. (SBU) THE CONSTANTA-PANCEVO-OMISALJ-TRIESTE (CPOT) PIPELINE, HAS THE POTENTIAL TO BRING CASPIAN BASIN OIL FIRST TO AN EXPORT TERMINAL AT OMISALJ, THEN AFTER THE CONSTRUCTION OF A PIPELINE TO TRIESTE, TO THE TRANS-ALPINE PIPELINE. A U.S. CONSORTIUM, HLP-PARSONS, IS CURRENTLY CONDUCTING A TDA-FINANCED TECHNICAL AND FINANCIAL FEASIBILITY STUDY. THE RELATIVELY MINOR UPGRADES THAT CROATIA WOULD HAVE TO MAKE FOR THE DRUZHBADRIA PROJECT WOULD COMPLEMENT THE POTENTIALLY LARGER CPOT PROJECT. HOWEVER, THERE ARE SOME QUESTIONS FOR CROATIA REGARDING THE CPOT PROJECT. CURRENTLY, SERBIA AND PARTS OF BOSNIA ARE SERVED BY OIL COMING EAST FROM OMISALJ AND SISAK, EITHER THROUGH PIPELINE OR TRUCK. SHOULD A CPOT PIPELINE BE BUILT, CROATIA WOULD LOSE THOSE MARKETS, AS THE PETROLEUM WOULD FLOW WEST AND SUPPLY REFINERIES IN SERBIA AND BOSNIA.

17. (SBU) IN A MEETING WITH JANAF PRESIDENT VESNA TRNOKOP-TANTA AND AN ADVISOR, PROBLEMS WERE CITED WITH THE PARSONS STUDY. NAMELY, JANAF FELT THAT PARSONS WAS USING UNREALISTIC ASSUMPTIONS ABOUT ECONOMIC GROWTH AND THE RESULTANT USE OF ENERGY IN SERBIA AND BOSNIA. THESE

UNCLASSIFIED

UNCLASSIFIED PTQ8457

PAGE 01 ZAGREB 00799 05 OF 05 110815Z
ACTION EB-00

INFO	LOG-00	NP-00	AGRE-00	AID-00	CEA-01	CIAE-00	CTME-00
	INL-00	DINT-00	DODE-00	ITCE-00	DOT-00	WHA-00	SRPP-00
	EXME-00	EUR-00	E-00	FAAE-00	FBIE-00	UTED-00	VC-00
	FRB-00	H-01	TEDE-00	INR-00	IO-00	ITC-01	LAB-01

L-00	VCE-00	AC-01	NSAE-00	NSCE-00	NSF-01	OES-00
OIC-02	OMB-02	OPIC-01	PC-01	PM-00	PRS-00	ACE-00
SP-00	SSO-00	SS-00	STR-00	TEST-00	T-00	USIE-00
EPAE-00	PMB-00	PRM-00	DRL-01	G-00	NFAT-00	SAS-00
SWCI-00	/013W					

-----542808 110815Z /38

R 110815Z APR 03
 FM AMEMBASSY ZAGREB
 TO SECSTATE WASHDC 9932
 INFO AMEMBASSY ALMATY
 AMEMBASSY ASHGABAT
 AMEMBASSY ATHENS
 AMEMBASSY BELGRADE
 AMEMBASSY BISHKEK
 AMEMBASSY BRATISLAVA
 AMEMBASSY BRUSSELS
 AMEMBASSY BUCHAREST
 AMEMBASSY BUDAPEST
 AMEMBASSY CARACAS
 AMEMBASSY CHISINAU
 AMEMBASSY KIEV
 AMEMBASSY LJUBLJANA
 AMEMBASSY LONDON

UNCLASSIFIED

PAGE 02 ZAGREB 00799 05 OF 05 110815Z
 AMEMBASSY MINSK
 AMEMBASSY MOSCOW
 AMEMBASSY PARIS
 AMEMBASSY PRAGUE
 AMEMBASSY RIGA
 AMEMBASSY ROME
 AMEMBASSY SKOPJE
 AMEMBASSY SOFIA
 AMEMBASSY TASHKENT
 AMEMBASSY TBILISI
 AMEMBASSY TIRANA
 AMEMBASSY VIENNA
 AMEMBASSY VILNIUS
 AMEMBASSY WARSAW
 AMEMBASSY YEREVAN
 DEPT OF COMMERCE WASHDC
 DEPT OF ENERGY WASHDC
 DEPT OF TREASURY WASHDC

UNCLAS SECTION 05 OF 05 ZAGREB 000799

SIPDIS

SENSITIVE

STATE FOR EB/CBED
 STATE PASS OPIC AND TDA

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [ENRG](#) [EPET](#) [SENV](#) [HR](#) [HRECON](#)
 SUBJECT: DRUZHBADRIA AND CPOT PIPELINES -- CROATIA MOVING
 FORWARD BUT SOME QUESTIONS RAISED

UNCLASSIFIED

PAGE 03 ZAGREB 00799 05 OF 05 110815Z
 ASSUMPTIONS INCREASED THE COST OF THE PROJECT IN TWO WAYS --
 MORE INFRASTRUCTURE WOULD NEED TO BE BUILT IN THE EASTERN
 PART OF THE ROUTE, AND LESS OIL WOULD END UP BEING DELIVERED
 TO CROATIA AS A RESULT OF CONSUMPTION PROJECTIONS. "IT ISN'T
 WORTH IT TO US TO LOSE OUR SERBIAN MARKETS, IF WE ONLY GET 5
 MILLION TONS OF OIL," COMPLAINED TRNOKOP. (IN OTHER QUARTERS
 WE HAVE HEARD ESTIMATES OF 10-12 MILLION TONS PER YEAR AS THE
 MINIMUM ECONOMICALLY FEASIBLE AMOUNT.) ON THE OTHER HAND,
 MINISTRY OF ECONOMY OFFICIALS SAID THEIR DISPLEASURE WITH THE
 PARSONS STUDY WAS SIMPLY THAT PARSONS WAS USING OLD,
 INACCURATE DATA.

COMMENT

118. (SBU) WHILE BOTH PIPELINE PROJECTS COULD BE BENEFICIAL
 TO CROATIA, THERE IS LITTLE CROATIA CAN DO, AS A TRANSIT
 COUNTRY, TO BRING THE PROJECTS TO FRUITION. IN THE MEANTIME,
 ENVIRONMENTAL CONCERNS ARE INCREASING, AND JANAF WILL BE
 LOATH TO COMPLETE EXTENSIVE INVESTMENTS, INCLUDING IN
 ENVIRONMENTAL UPGRADES, UNTIL THE PROJECTS HAVE FIRM SUPPORT
 FROM BUYERS AND SUPPLIERS.
 ROSSIN

UNCLASSIFIED

>